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9 UNITED STATES BANKRUPTCY COURT
 10 EASTERN DISTRICT OF CALIFORNIA
 11 SACRAMENTO DIVISION
 12

13 In re:
 14 CITY OF STOCKTON, CALIFORNIA,
 15 Debtor.

Case No. 2012-32118
 D.C. No. OHS-14
 Chapter 9

**DECLARATION OF LAURIE
 MONTES IN SUPPORT OF CITY'S
 MOTION TO COMPEL PRODUCTION
 OF DOCUMENTS BY SEVENTH
 INNING STRETCH, LLC PURSUANT
 TO RULE 2004 SUBPOENA**

Date: October 28, 2013
 Time: 10:00 a.m.
 Dept: Courtroom 35
 Judge: Hon. Christopher M. Klein

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1 I, Laurie Montes, hereby declare:

2 1. I am one of two Deputy City Managers for the City of Stockton, California (“the
3 City” or “Stockton”). I make this declaration in support of the City’s Motion To Compel
4 Production Of Documents By Seventh Inning Stretch, LLC Pursuant To Rule 2004 Subpoena.

5 2. In my capacity as Deputy City Manager, I oversee the operation of the City’s
6 entertainment venues, including a 5,200 seat Class A baseball park (the “Stadium”). In 2004, the
7 City financed and constructed an events center that included the Stadium, a 10,000 seat arena
8 (“Arena”), parking, and other amenities. In 2005, the City entered into a long-term licensing
9 agreement (the “License Agreement”) for the use of the Stadium with Seventh Inning Stretch,
10 LLC (“SIS”), which owns a minor league baseball team, the Stockton Ports (the “Ports”). The
11 License Agreement has an initial term of 25 years, with mutual options to extend for two
12 additional seven year periods. If both options are exercised, the License Agreement will not
13 expire until 2044.

14 3. The terms of the License Agreement are generally favorable to SIS as compared to
15 other California League license agreements, particularly given the age and quality of the Stadium.
16 The terms of the License Agreement, combined with the costs to operate the Stadium, require the
17 City to subsidize the Stadium operations and maintenance. The required subsidy for fiscal year
18 2013-2014 is approximately \$547,578, including approximately \$65,000 of possessory interest
19 tax that the City pays on behalf of SIS for the Ports’ use of the Stadium. The terms of the License
20 Agreement are such that the City cannot reduce its subsidy to SIS during a fiscal emergency. The
21 terms of the License Agreement also require the City to pay Stadium operations and capital
22 maintenance costs for 70 Ports games and 20 non-game events (which can last for multiple days)
23 for the term of the License Agreement, plus extensions (if exercised). Finally, the License
24 Agreement gives the Ports control of virtually all Stadium revenues, requiring only that SIS pass
25 through to the City a modest amount of revenue for facility fees and premium seating.

26 4. As part of its ongoing negotiations despite the filing of the Plan For The
27 Adjustment Of Debts Of City Of Stockton, California [Dkt. No. 1133] (the “Plan”) on October
28 10, 2013, the City is evaluating all of its contracts, including the License Agreement, to determine

1 whether each should be assumed or rejected. To this end, the City has negotiated (and continues
2 to negotiate) with SIS in good faith regarding the terms of the License Agreement. Because SIS
3 did not participate in the pre-bankruptcy mediation process (despite the City's invitation, and the
4 inclusion in the May 2012 "Ask" of a proposal for modifications to the License Agreement), the
5 City's negotiations with SIS did not begin until September 2012.

6 5. Throughout these negotiations, the City has endeavored to understand SIS's
7 business structure. The City believes that in order to evaluate the License Agreement properly, it
8 needs certain basic financial information regarding the performance of the Ports and their use of
9 the Stadium to determine what concessions or modifications are reasonable given the City's
10 current financial condition and the ongoing Stadium operation and capital deficits. The City
11 needs this information to decide how to treat the License Agreement in any amended plan of
12 adjustment, and to assess the longer term financial and operating viability of the Ports should the
13 License Agreement be amended.

14 6. Since late 2012, the City has made multiple informal requests to SIS to provide
15 information about SIS's finances, including on August 1, 2013, when the City sent an informal
16 written request to Pat Filippone, authorized agent for service of process for SIS. It was only after
17 SIS declined to produce all of the requested information and data that the City sought this Court's
18 permission to issue a subpoena for this information under Rule 2004 of the Federal Rules of
19 Bankruptcy Procedure.

20 7. Not only is the subpoenaed information necessary to the City's evaluation of the
21 License Agreement, including whether the City should assume, reject, or modify it, but it is also
22 necessary to advance the City's negotiations with SIS. The City recently renegotiated its license
23 agreement with SC Hockey Franchise Group ("SC Hockey"), relating to the rights of the Stockton
24 Thunder ice hockey team to use the facilities of the Arena. During negotiations, SC Hockey
25 allowed the City access to financial information analogous to the information which the City
26 seeks from SIS through its subpoena. This information allowed the City to perform an accurate
27 evaluation of how to treat its license agreement with SC Hockey. As a result, the City and SC
28 Hockey were able to enter into a modified license agreement that the City will assume in the Plan.

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The modifications include, among other things, a reduction in the City's subsidy to team activities.

Executed this 18th day of October 2013, at Stockton, California. I declare under penalty of perjury under the laws of the State of California and the United States of America that the foregoing is true and correct.



Laurie Montes